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## Nigeria

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## Crop Update

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Nigeria's grain production this year is up slightly from the average crop of 2010. Farmers increased acreage and rainfall patterns were near ideal for the growing season. The arrival of the new crop in the market has not brought any respite to poultry producers as grain prices have remained firm because of limited supplies.

Except for sorghum, the harvest of most grains has been completed in Nigeria. FAS/Lagos visited Nigeria's grain belt (Kaduna, Zaria, and Abuja) in mid-October to assess the crop situation.

### **Larger Grain Harvests**

Preliminary findings from the annual agricultural performance survey, conducted by NAERLS-Ahmadu Bello University, Zaria in Kaduna state, and other government agencies, revealed only a slight increase of only about one percent in grains production compared to last year. According to the report, total production for millet, sorghum, maize, and rice, the most important cereal crops in Nigeria, is estimated at about 22.1 million tons in 2011, slightly higher than 21.96 million tons recorded in 2010. Though more land was put under cultivation for most grains, the increase in production is marginal, attributed to low use of improved seeds, scarcity and high cost of fertilizers, pests attacks, and isolated dry spells in some areas. The increase in output was a result of two major factors:

**1. Beneficial Rainfall Patterns:** The rainfall situation was essentially similar to that of 2010. However, rainfall during the 2011 growing season was more favorable both in terms of volume and distribution. In fact, the rainy season in the grains belt extended beyond the normal time of early October to late October. This rain will boost yields in late-maturing sorghum (much of which was planted later than usual this year), as well as double-cropped cowpea and soybeans.

**2. Expanded Planted Area:** Area planted with grain crops, especially corn and rice, increased this year as very high prices encouraged farmers to switch from other crops, as well as bring new land into production. Area has continued to shift from cotton into grains given the collapse of the textile industry in Nigeria. Cotton farmers have switched area into crops which are more easily marketed. Corn area has continued to expand farther north in Nigeria into traditional sorghum areas as a result of the use of new early maturing corn varieties. This expansion, however, was somewhat abridged this year due to the poor availability of fertilizer.

### **Prices remain firm**

Despite the arrival of the new crop in the market, grain prices have remained high. For example, the price of corn fell to 50,000 Naira (\$312.5) per ton in October from the 65,000 Naira (\$406) in the previous months. But in November the price increased to 55,000 naira per ton (\$344), which is considered to be very high this time of the year. Poultry industry sources indicate that feed millers and grain merchants are buying up and stocking available supplies for fear that supplies will run out and prices go through the roof as it did last season. The price of corn reached a high of 75,000 naira per ton (\$470) in May 2011.

While the poultry industry in Nigeria had been rapidly expanding in past years, very high input costs in 2010 retarded this growth. These high prices caused flock expansion to effectively cease in 2010/11. Although the import ban on corn was lifted in 2008, most poultry producers are wary to import for fear that corn merchants with strong political connections will use Custom officials to frustrate such imports.

### **Fertilizer Availability**

The major constraint on growth in grain production this year has been continued limited availability of fertilizer due to inefficient government subsidy mechanisms. Fertilizer is subsidized heavily by both the

Federal government and State governments and in theory this fertilizer is suppose to be sold directly to farmers and cooperatives. However, in actuality, these subsidized supplies are often sold to middlemen and those with political connections (most who have no farming operations), who then resell them into the open market at a much higher price. While subsidized fertilizer was sold by the State governments at between 1000-2500 naira (\$6.50-\$16) per 50 kg bag, most farmers were unable to secure any of these supplies and still had to buy from the open market at prices between 4500-5500 naira (\$29-35.50). One major fertilizer importer estimates that over 70 percent of subsidized fertilizer provided by the government ended up being resold on the open market and these open market prices were up nearly 30 percent from last year's level.

President Jonathan unveiled a new Agriculture Transformation Action Plan (ATAP) in August 2011, designed to create a total of 3.5 million jobs in the next four years. Sorghum and rice are listed among the crops to receive special attention under the ATAP (also cassava, cocoa, and cotton). Under this plan, the government intends to increase the production of these crops to improve food security, nutrition, and increase incomes. It aims to achieve this by raising Nigeria's overall agricultural productivity by at least 6% per year and increasing public investment in agriculture to 10% of the annual national budget by 2015.

To drive the new initiative, the government of Nigeria (GON) is considering ending the fertilizer subsidy program in 2012. The policy has been largely unsuccessful and has only caused distortion in the distribution channels. Inefficient and under-funded delivery systems prevented the subsidy from successfully reaching the intended small-scale farmers. The removal of the subsidy is expected to reduce distortions in the distribution channels and allow the private sector to import and ultimately encourage new investments in domestic production of fertilizer.